

Daily Insight

Liquidity continues to increase

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With Tuesday's cash flows, yesterday's liquidity indicators once more rose significantly as banks' correspondent accounts with the NBU fell UAH3.63bn to UAH48.67bn while total CDs outstanding rose a sizable UAH8.62bn to UAH68.74bn.

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THURSDAY, 29 DECEMBER 2016

Ukraine's hryvnia exchange rate per US dollar (three months through 28 December 2016)



Source: Bloomberg.

Selected indicators of the financial markets (three months through 28 December 2016)

	Last	Daily chg (%)	YTD chg (%)
DOMESTIC LIQUIDITY			
NBU key policy rate (%)	14.00	+0bp	-800bp
Overnight rate (interbank)	11.40	+10bp	-620bp
Banks reserves (UAHm)	48,671	-6.94	+26.54
Deposit certificates* (UAHm)	68,741	-34.13	-47.83
FOREIGN EXCHANGE MARKET			
UAH per US dollar	27.1000	+1.88	+12.79
Total trade volume (US\$m)	241.55	+40.02	-33.51
UAH index PCI-based	96.996	-1.64	-1.31
UAH index PPI-based	128.078	-1.64	-2.81
UKRAINE SOVEREIGN EUROBOND MARKET			
CDS 5yr	653bp	-67bp	+0bp
GLOBAL FINANCIAL MARKET INDICATORS			
S&P 500	2,249.92	-0.84	+10.08
MSCI EM	851.18	+0.77	+7.18
US dollar index (DXY)	103.300	+0.27	+4.73
EUR / USD	1.0413	-0.42	-4.13
Crude oil WTI (US\$/bbl)	54.06	+0.30	+45.95
Crude oil BRENT (US\$/bbl)	56.22	+0.23	+57.26
CRB, commodities index	193.03	+0.14	+9.59
Gold (US\$/ounce)	1,141.74	+0.25	+7.57

Notes: * NBU's short-term bonds.

Source: Bloomberg, ICU.

Domestic liquidity

Liquidity continues to increase

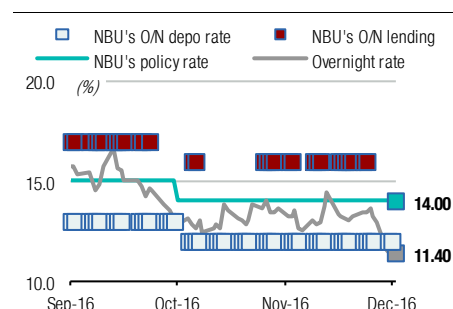
With Tuesday's cash flows, yesterday's liquidity indicators once more rose significantly as banks' correspondent accounts with the NBU fell UAH3.63bn to UAH48.67bn while total CDs outstanding rose a sizable UAH8.62bn to UAH68.74bn.

As a result, banking sector liquidity was up UAH4.99bn to UAH17.4bn, closing in on last year's record high.

Investment implications: The Treasury continued to provide extra budget expenditures, this bolstering banking sector liquidity, which should be short-term as it is mostly concentrated in CDs.

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Interest rates in the banks' reserves market (three months through 28 December 2016)



Source: Bloomberg, ICU.

Key indicators (as of 28 December 2016)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
BANKS' RESERVES MARKET (%)					
NBU rate ¹	14.00	+0bp	+0bp	+0bp	-800bp
Overnight	11.40	+10bp	-220bp	-180bp	-620bp
KYIV PRIME RATES (%)					
Overnight	13.00	+0bp	-33bp	-42bp	-606bp
1 week	15.00	+17bp	+50bp	+33bp	-500bp
1 month	16.50	+0bp	+17bp	-17bp	-575bp
2 months	18.00	+0bp	+0bp	-17bp	-550bp
3 months	18.25	+8bp	+8bp	-8bp	-550bp
DOMESTIC LIQUIDITY (UAH MILLION)					
Reserves ²	48,671	-6.94	-1.14	+14.34	+26.54
DepCerts ³	68,741	-34.13	+14.56	+43.22	-47.83
Total	117,412	-16.94	+9.87	+31.45	-22.15
BREAKDOWN OF GOVT BOND HOLDERS (UAH MILLION)					
NBU	356,146	+0.00	+0.00	-1.25	-6.23
Banks	172,338	+0.59	+3.44	+10.32	+111.3
Residents	15,679	+0.24	+6.31	+13.31	-25.33
Non-res ⁴	6,352	+0.91	+0.36	-37.47	-71.53
Total	550,514	+0.20	+1.23	+1.78	+9.08
IMPLIED YIELDS OF THE UAH NDF MARKET (%)					
3 months	N/A	N/A	N/A	N/A	N/A
6 months	N/A	N/A	N/A	N/A	N/A
9 months	N/A	N/A	N/A	N/A	N/A
1 year	N/A	N/A	N/A	N/A	N/A
UKRAINE SOVEREIGN EUROBOND MARKET					
CDS 5yr	653	-67bp	-67bp	+20bp	+0bp

Notes: [1] NBU's key policy rate; [2] stock of banks' reserves held at NBU; [3] stock of NBU's short-term bonds; [4] non-residents.

Source: Bloomberg, ICU.

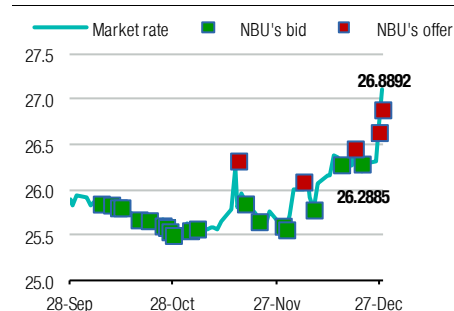
Foreign exchange markets

Key indicators (as of 28 грудня 2016)

	Last	Daily	Weekly	Monthly	YTD
	chg (%)	chg (%)	chg (%)	chg (%)	chg (%)
EXCHANGE RATES (PER US DOLLAR, EXCEPT EURO, POUND)					
UAH	27.1000	+1.88	+2.63	+5.76	+12.79
USD ¹	103.300	+0.27	+0.27	+1.94	+4.73
EUR	1.0413	-0.42	-0.11	-1.89	-4.13
JPY	117.2600	-0.14	-0.25	+4.75	-2.46
GBP ²	1.2226	-0.37	-1.03	-1.53	-17.03
CNY	6.9613	+0.13	+0.25	+0.67	+7.20
RUB	60.4843	-0.28	-1.20	-6.76	-16.60

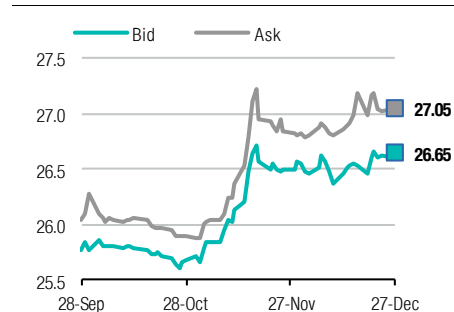
Notes: [1] DXY, US dollar index; [2] British pound.
Source: Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the interbank market (three months through 28 December 2016)



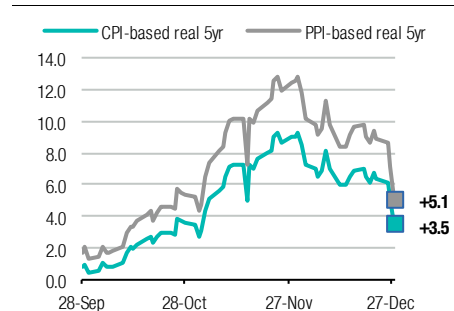
Notes: the chart provides labels for the average exchange rate at last two NBU auctions (one on buying FX from the market and one on selling it). Source: NBU, Bloomberg, ICU.

Ukraine hryvnia UAH exchange rate per US dollar at the cash market (three months through 28 December 2016)



Source: NBU.

UAH exchange rate misalignment¹ from fundamental level² (%) (three months through 28 December 2016)



Notes: [1] "+" overvalued, "-" undervalued; [2] based on the UAH's CPI- and PPI-based real TWIs. Source: ICU.

Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU [website](#).

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